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9 [Additional Counsel on Signature Page]

10 UNITED STATES DISTRICT COURT  
11 CENTRAL DISTRICT OF CALIFORNIA

12 EARL RICHARDS, Individually and  
13 On Behalf of All Others Similarly  
14 Situated,

15 Plaintiff,

16 v.

17 DON M. BAILEY, MICHAEL H.  
18 MULROY, STEPHEN L. CARTT,  
19 DAVID YOUNG, VIRGIL D.  
20 THOMPSON, MITCHELL J. BLUTT,  
21 and STEPHEN C. FARRELL

22 Defendants,

23 -and-

24 QUESTCOR PHARMACEUTICALS,  
25 INC.,

26 Nominal Defendant.  
27  
28

Case No. SACV12-1754 DOC (ML4x)

**CLASS ACTION**

**VERIFIED SHAREHOLDER  
DERIVATIVE COMPLAINT  
FOR BREACH OF FIDUCIARY  
DUTY, WASTE OF  
CORPORATE ASSETS, UNJUST  
ENRICHMENT, AND  
CONTRIBUTION AND  
INDEMNIFICATION**

**DEMAND FOR JURY TRIAL**

1 Plaintiff Earl Richards ("Plaintiff"), individually and on behalf of all other  
2 persons similarly situated, by his undersigned attorneys, for his complaint  
3 against defendants, alleges the following based upon personal knowledge as to  
4 himself and his own acts, and information and belief as to all other matters,  
5 based upon, *inter alia*, the investigation conducted by and through his attorneys,  
6 which included, among other things, a review of the defendants' public  
7 documents, conference calls and announcements made by defendants, United  
8 States Securities and Exchange Commission ("SEC") filings, wire and press  
9 releases published by and regarding Questcor Pharmaceuticals, Inc. ("Questcor"  
10 or the "Company"), analysts' reports and advisories about the Company, and  
11 information readily obtainable on the Internet. Plaintiff believes that substantial  
12 evidentiary support will exist for the allegations set forth herein after a  
13 reasonable opportunity for discovery.  
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### 19 JURISDICTION AND VENUE

20  
21 1. This Court has jurisdiction pursuant to 28 U.S.C. §1332(a)(2),  
22 because plaintiff and defendants are citizens of different states and the amount in  
23 controversy exceeds \$75,000, exclusive of interests and costs. This action is not a  
24 collusive action designed to confer jurisdiction on a Court of the United States  
25 that it would not otherwise have.  
26

27  
28 2. This Court has jurisdiction over each defendant because each

1 defendant is either a corporation that conducts business in, and maintains  
2 operations in, this District, or is an individual who has sufficient minimum  
3 contacts with this District so as to render the exercise of jurisdiction by the  
4 District courts permissible under traditional notions of fair play and substantial  
5 justice.  
6

7 3. Venue is proper in this Court under 28 U.S.C. §1391(a) because (1)  
8 one or more of defendants reside in, or maintain executive offices in, this district;  
9  
10 (2) a substantial portion of the transactions and wrongs complained of herein,  
11 including the defendants' primary participation in the wrongful acts described  
12 herein, occurred within this District; and (3) defendants have received substantial  
13 compensation in this District by conducting business herein and by engaging in  
14 numerous activities that have an impact in this District.  
15  
16

17 4. In connection with the acts, conduct and other wrongs alleged in  
18 this Complaint, defendants, directly or indirectly, used the means and  
19 instrumentalities of interstate commerce, including but not limited to, the United  
20 States mail, interstate telephone communications and the facilities of the national  
21 securities exchange.  
22  
23

### 24 **PARTIES**

25 5. Plaintiff as set forth in the attached Certification, was a shareholder  
26 of Questcor at the time of the wrongs complained of, has continuously been a  
27 shareholder since that time and is a current shareholder.  
28

1           6. Nominal Defendant Questcor is a California corporation with  
2 principal executive offices located at 1300 North Kellogg Drive, Suite D,  
3 Anaheim, California 92807. Questcor's common stock trades on the NASDAQ  
4 Stock Market ("NASDAQ") under the ticker symbol "QCOR."

5  
6           7. Defendant Don M. Bailey ("Bailey") was, at all relevant times, the  
7 Company's President and Chief Executive Officer.  
8

9           8. Defendant Michael H. Mulroy ("Mulroy") was, at all relevant times,  
10 the Company's Chief Financial Officer, Secretary and General Counsel.  
11

12           9. Defendant Stephen L. Cartt ("Cartt") was, at all relevant times, the  
13 Company's Chief Operating Officer.  
14

15           10. Defendant David Young ("Young") was, at all relevant times, the  
16 Company's Chief Scientific Officer.  
17

18           11. Defendant Virgin D. Thompson ("Thompson") was, at all relevant  
19 times, a member of the Company's audit committee.  
20

21           12. Defendant Mitchell J. Blutt ("Blutt") was, at all relevant times, a  
22 member of the Company's audit committee.  
23

24           13. Defendant Stephen C. Farrell ("Farrell") was, at all relevant times,  
25 the chair of the Company's audit committee.  
26

27           14. The defendants referenced above in ¶¶ 7 through 13 are sometimes  
28 referred to herein as the "Individual Defendants." Because of the Individual

1 Defendants' positions with the Company, they had access to key adverse but  
2 undisclosed information about the Company's business, operations, operational  
3 trends, financial statements, markets and present and future business prospects  
4 via access to internal corporate documents (including the Company's operating  
5 plans, budgets and forecasts and reports of actual operations compared thereto),  
6 conversations and connections with other corporate officers and employees,  
7 attendance at management and Board of Directors meetings and committees  
8 thereof and through reports and other information provided to them in  
9 connection therewith.  
10  
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13 15. It is appropriate to treat the Individual Defendants as a group for  
14 pleading purposes and to presume that the false, misleading and incomplete  
15 information conveyed in the Company's public filings, press releases and other  
16 publications as alleged herein are the collective actions of the narrowly defined  
17 group of defendants identified above. Each of the above officers of Questcor, by  
18 virtue of his or her high-level position with the Company, directly participated in  
19 the management of the Company, was directly involved in the day-to-day  
20 operations of the Company at the highest levels and was privy to confidential  
21 proprietary information concerning the Company and its business, operations,  
22 growth, financial statements, and financial condition as these defendants were  
23 involved in drafting, producing, reviewing and/or disseminating the false and  
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1 misleading statements and information alleged herein, were aware, or recklessly  
2 disregarded, that the false and misleading statements were being issued  
3 regarding the Company, and approved or ratified these statements, in violation of  
4 the federal securities laws.  
5

6       16. As officers and controlling persons of a publicly-held company  
7 whose common stock has been, at all relevant times, registered with the SEC  
8 under the Exchange Act which is traded on the NASDAQ, and is governed by  
9 the provisions of the federal securities laws, the Individual Defendants each had  
10 a duty to promptly disseminate accurate and truthful information with respect to  
11 the Company's financial condition and performance, growth, operations,  
12 financial statements, business, markets, management, earnings and present and  
13 future business prospects, and to correct any previously-issued statements that  
14 had become materially misleading or untrue, so that the market price of the  
15 Company's publicly-traded common stock would be based upon truthful and  
16 accurate information. The Individual Defendants' misrepresentations and  
17 omissions violated these specific requirements and obligations.  
18

19       17. The Individual Defendants participated in the drafting, preparation,  
20 and/or approval of the various public and shareholder and investor reports and  
21 other communications complained of herein and were aware of, or recklessly  
22 disregarded, the misstatements contained therein and omissions therefrom, and  
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1 were aware of their materially false and misleading nature. Because of their  
2 Board membership and/or executive and managerial positions with Questcor,  
3 each of the Individual Defendants had access to the adverse undisclosed  
4 information about Questcor's business prospects and financial condition and  
5 performance as particularized herein and knew (or recklessly disregarded) that  
6 these adverse facts rendered the positive representations made by or about  
7 Questcor and its business issued or adopted by the Company materially false and  
8 misleading.  
9

10  
11  
12 18. The Individual Defendants, because of their positions of control and  
13 authority as officers and/or directors of the Company, were able to and did  
14 control the content of the various SEC filings, press releases and other public  
15 statements pertaining to the Company during the relevant period. Further, each  
16 Individual Defendant was provided with copies of the documents alleged herein  
17 to be misleading prior to or shortly after their issuance and/or had the ability  
18 and/or opportunity to prevent their issuance or cause them to be corrected.  
19 Accordingly, each of the Individual Defendants is responsible for the accuracy  
20 of the public reports and releases detailed herein and is therefore primarily liable  
21 for the representations contained therein.  
22

23  
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26 19. Each of the defendants is liable as a participant in a fraudulent  
27 scheme and course of business that operated as a fraud or deceit by  
28

1 disseminating materially false and misleading statements and/or concealing  
2 material adverse facts, which has severely damaged Questcor and its  
3 shareholders by extension.  
4

## 5 **SUBSTANTIVE ALLEGATIONS**

### 6 **Background**

7  
8 20. Nominal Defendant Questcor is a company with a single product, a  
9 highly specialized, low volume, expensive drug originally approved by the FDA  
10 in 1952. It has since been approved for use in 19 indications, but primarily for  
11 infantile spasms, a rare seizure disorder affecting about 1,500 infants a year in  
12 the U.S. In 1978, Acthar was approved for treatment of MS relapse and was  
13 used extensively in the 1970s for that purpose, until corticosteroids came on the  
14 market and proved to be a superior alternative.  
15  
16

17  
18 21. On April 4, 2011, Questcor issued a press release announcing its  
19 preliminary first quarter 2011 results. The press release stated the following in  
20 relevant part:  
21

22 New, paid prescriptions of H.P. Acthar® Gel (Acthar) for the  
23 treatment of exacerbations of multiple sclerosis (MS) during the  
24 quarter were greater than 500, up over 115% from the year ago  
25 period and up over 40% from the prior quarter.

26 New, paid prescriptions for infantile spasms (IS) were estimated at  
27 88.

28 New, paid prescriptions for nephrotic syndrome (NS) were  
estimated at 18.



1 2,010 vials of the Company's principal drug, Acthar, were shipped  
2 during the quarter ended March 31, 2011.

3 Gross sales were \$48.6 million.

4 \* \* \*

5 "The strong performance we saw late in the fourth quarter of 2010  
6 has continued in the first quarter of 2011 and was driven by the  
7 increasing productivity of our recently expanded Acthar sales force.  
8 March showed significant growth in MS prescriptions and exceeded  
9 February's record performance by over 50%. In addition, we are  
10 pleased with the very early results from the efforts of our small  
11 dedicated Nephrology sales team. While we are very encouraged by  
12 the first quarter new prescription results, we note that prior sharp  
13 increases in sequential quarterly Acthar prescriptions have usually  
14 been followed by more modest sequential growth," said Don M.  
15 Bailey, President and CEO of Questcor Pharmaceuticals.

16 22. On April 26, 2011, the Company issued a press release announcing  
17 financial results for the first quarter ended March 31, 2011. Specifically, the  
18 Company reported net income of \$11.2 million, or \$0.17 diluted earnings per  
19 share ("EPS"), and net sales of \$36.8 million for the first quarter of 2011 as  
20 compared to net income of \$8 million, or \$0.12 diluted EPS, and net sales of  
21 \$26.2 million for the same period a year ago. The press release stated the  
22 following in relevant part:

23  
24 The Company's financial performance was driven by a 120% year-  
25 over-year increase in the number of new paid prescriptions of H.P.  
26 Acthar® Gel (Acthar) for the treatment of multiple sclerosis (MS)  
27 exacerbations. In the first quarter, paid Acthar prescriptions for the  
28 treatment of nephrotic syndrome (NS) increased to 18 while  
prescriptions for the treatment of infantile spasms (IS) were 89,  
which is within the historic range for IS.

1 "Our strategy to expand the sales force is clearly paying off," said  
2 Don M. Bailey, President and CEO of Questcor. "Paid MS  
3 prescriptions are up sharply from last quarter. March was a  
4 particularly strong month and this momentum has continued so far  
5 in April. We believe that Acthar is filling an increasingly important  
6 role in the treatment of exacerbations associated with MS and,  
7 looking forward, we expect to continue to grow sales in this  
8 important therapeutic area."

9 Mr. Bailey added, "We are also encouraged by the early positive  
10 results from our small, dedicated nephrology sales team, which  
11 initiated selling efforts at the beginning of March. The number of  
12 nephrologists who are using Acthar to treat patients with nephrotic  
13 syndrome is increasing. In addition, during the second quarter we  
14 will initiate a company-sponsored Phase IV trial to study Acthar in  
15 the treatment of NS associated with idiopathic membranous  
16 nephropathy. Acthar is indicated 'to induce a diuresis or a remission  
17 of proteinuria in the nephrotic syndrome without uremia of the  
18 idiopathic type or that due to lupus erythematosus'."

19 23. After issuing its first quarter 2011 financials, Questcor hosted a  
20 conference call where Defendants reiterated the financial results reported in the  
21 Company's press release and Defendant Mulroy discussed the Company's  
22 financial performance in depth. Defendants Bailey and Cartt further represented  
23 the following in relevant part:

24 [BAILEY:] In summary, we are off to a very good start this year as  
25 we continued to execute our straightforward strategy to sell more  
26 Acthar. Our decision to expand the MS sales force is clearly paying  
27 off. Also, our nephrotic syndrome sales force is having some early  
28 success.

\* \* \*

1 We believe this MS sales performance reflects the strong underlying  
2 demand for Acthar. This growth in demand is being driven by the  
3 increasing productivity of our expanded sales force.

4 We believe net sales in the MS market are now about 60% of total  
5 Acthar net sales.

6 \* \* \*

7 [CARTT:] Our expanded promotional activities directed to  
8 neurologists generated significant growth in Acthar prescriptions for  
9 MS during the first quarter. During the quarter, we shipped a record  
10 508 paid Acthar prescriptions, for the treatment of MS relapses. This  
11 was an increase of 120% over the year ago period and 44% over the  
12 previous quarter.

13 We believe this performance is a strong signal that the sales force  
14 expansion has gained traction in the MS market at a faster rate than  
15 we expected.

16 \* \* \*

17 [O]ur promotional efforts are increasingly focused on two main  
18 goals. One, convincing an increasing number of prescribers about the  
19 benefits of using Acthar with their patients, and two, helping doctors,  
20 nurses, and others in their medical practice become more effective at  
21 identifying potential Acthar patients.

22 \* \* \*

23 In addition to increased promotion by our sales reps, Acthar sales are  
24 benefiting from our sponsored physician speaker programs.

25 In these programs, existing Acthar prescribers present to small  
26 groups of physicians, their experiences using Acthar and the  
27 published efficacy and safety data for Acthar in MS relapses. When  
28 combined with follow-up sales calls, these programs appear to be a  
key driver of our sales growth.

1 Recently, we have been significantly increasing the number of  
2 speaker programs being conducted and expect to continue doing so in  
3 the future.

4 24. On April 27, 2011, Questcor filed a quarterly report for the period  
5 ended March 31, 2011 on Form 10-Q with the SEC, which was signed by  
6 Defendants Bailey and Mulroy and reiterated the Company's previously  
7 announced financial results. In addition, the Form 10-Q contained signed  
8 certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") by  
9 Defendants Bailey and Mulroy stating that the information contained in the Form  
10 10-Q was accurate and disclosed any material changes to the Company's internal  
11 control over financial reporting.

12 25. In connection with its marketing and promotional activities, the  
13 Form 10-Q stated the following in relevant part:

14  
15 Selling and marketing expenses were \$11.3 million for the three  
16 months ended March 31, 2011, as compared to \$6.7 million for the  
17 three months ended March 31, 2010. The increase of \$4.6 million in  
18 2011 as compared to 2010 is due primarily to increases in  
19 headcount-related costs and costs associated with our expanded  
20 sales and marketing effort. During the latter part of 2010, to further  
21 build on positive prescription trends, we doubled the size of our  
22 sales organization, increasing the sales force to 77 Acthar specialists  
23 and an additional five nephrology sales representatives.

24  
25 26. On July 26, 2011, the Company issued a press release announcing  
26 financial results for its second quarter ended June 30, 2011. For the quarter, the  
27 Company reported net income of \$13.9 million, or \$0.21 diluted EPS, and net  
28

1 sales of \$46.0 million as compared to net income of \$9.3 million, or \$0.14  
2 diluted EPS, and net sales of \$28.3 million for the same period a year ago. The  
3  
4 press release stated the following in relevant part:

5 147% year-over-year increase in the number of paid H.P. Acthar®  
6 Gel (Acthar) prescriptions for the treatment of multiple sclerosis  
7 (MS) exacerbations led to increased shipments of Acthar vials. Paid  
8 Acthar prescriptions for the treatment of nephrotic syndrome (NS)  
9 also increased sharply in the quarter. In addition, paid Acthar  
10 prescriptions for the treatment of infantile spasms (IS) were at the  
11 highest quarterly level since the third quarter of 2008.

12 "Clearly, Questcor had a terrific quarter," said Don M. Bailey,  
13 President and CEO of Questcor. "Our focus on expanding the use of  
14 Acthar in the treatment of MS exacerbations drove our record second  
15 quarter financial performance. Importantly, in spite of the rapid  
16 expansion in the use of Acthar for MS exacerbations, we believe that  
17 the prescriber base can continue to grow. Accordingly, growing MS  
18 sales remains our number one priority. Also, following our early  
19 success in nephrotic syndrome, we are immediately and substantially  
20 expanding our nephrology selling effort."

21 "To generate data in support of the expanded nephrology selling  
22 effort, we recently initiated a company-sponsored Phase IV trial to  
23 study Acthar in the treatment of NS associated with idiopathic  
24 membranous nephropathy," continued Mr. Bailey. "And, today, we  
25 are announcing our fourth on-label target market for Acthar,  
26 systemic lupus erythematosus. We believe that this market has many  
27 of the same characteristics as our other three vertical markets for  
28 Acthar--MS, NS and IS."

29 27. After issuing its second quarter 2011 financial results on July 26,  
30 2011, Questcor hosted a conference call where Defendants reiterated the  
31 financial results reported in the Company's press release and Defendant Mulroy  
32 discussed the Company's financial performance in depth. Defendants Bailey,

1 Cartt and Young represented the following in relevant part:

2 [CARTT:] During the quarter we shipped a record 751 paid Acthar  
3 prescriptions for the treatment of MS relapses. This was an increase  
4 of 147% over the year-ago period, and 48% over the previous  
5 quarter. We believe this performance is a strong signal that the  
6 sales force continues to gain traction in the MS market at a faster  
7 rate than we expected. In addition to rapid growth, our trends at MS  
8 are all very good and indicate that we are building momentum in  
9 this key Acthar market.

10 \* \* \*

11 So let's summarize. We are very pleased with the robust growth  
12 during the quarter and expect continued growth during 2011 and  
13 into 2012 as a result of the continued sustained sales call activity.  
14 Our early prescription trends in nephrology are surprisingly strong  
15 and we are quickly expanding our sales capability in MS, which will  
16 result in a dramatic increase in the number of nephrologists that we  
17 can call on at the end of the third quarter, just about two months  
18 away.

19 \* \* \*

20 [BAILEY:] Our go-forward plan is extremely simple and remains  
21 to sell more Acthar. That is, gross sales in each of our key markets.  
22 MS, NS and IS, and then expand our commercial effort into other  
23 Acthar on-label markets and try to generate Acthar usage in those  
24 markets. In the second quarter we continued our momentum and  
25 had increasing sales levels combined with strong profit margins and  
26 substantial free cash flow. We are continuing to focus on MS sales.  
27 The commercial team is highly motivated, highly incentivized and  
28 highly productive.

Based on positive nephrotic syndrome script growth, we are now  
increasing our focus on nephrotic syndrome sales and are expanding  
our MS selling efforts. We are applying what we have learned  
during our four MS sales force increases, so that for nephrotic  
syndrome we can accelerate the commercial team buildout.

28. On July 29, 2011, Questcor filed a quarterly report for the period  
ended June 30, 2011 on Form 10-Q with the SEC, which was signed by



1 Defendants Bailey and Mulroy and reiterated the Company's previously  
2 announced financial results. In addition, the Form 10-Q contained signed  
3 certifications pursuant to SOX by Defendants Bailey and Mulroy stating that the  
4 information contained in the Form 10-Q was accurate and disclosed any material  
5 changes to the Company's internal controls over financial reporting.  
6

7  
8 29. In connection with its marketing and promotional activities, the  
9 Form 10-Q stated the following in relevant part:  
10

11 Selling and marketing expenses were \$14.7 million for the three  
12 months ended June 30, 2011, as compared to \$6.0 million for the  
13 three months ended June 30, 2010. The increase of \$8.7 million in  
14 2011 as compared to 2010 is due primarily to increases in  
15 headcount-related costs and costs associated with our expanded  
16 sales and marketing effort. During the latter part of 2010, to further  
17 build on positive prescription trends, we increased the size of our  
18 Specialty Sales Force, which calls on neurologists who treat patients  
19 for MS or IS, from 38 representatives to 77 representatives effective  
20 November 2010. Additionally, in March 2011, we assembled a  
21 Nephrology Sales Force which promotes Acthar exclusively to  
22 nephrologists for use in treating NS. Our initial Nephrology Sales  
23 Force was comprised of just five representatives and, based on the  
24 results of their efforts we are significantly expanding our NS selling  
25 effort. Specifically, we are in the process of hiring approximately 23  
26 additional representatives for our Nephrology Sales Force and we  
27 are giving a limited supportive selling role to our 77 representative  
28 Specialty Sales Force.

29 30. On October 25, 2011, Questcor issued a press release announcing  
30 financial results for its third quarter ended September 30, 2011. For the quarter,  
31 the Company reported net income of \$22.9 million, or \$0.35 diluted EPS, and  
32 net sales of \$59.8 million, as compared to net income of \$11.5 million, or \$0.18

1 diluted EPS, and net sales of \$31.3 million for the same period a year ago. The  
2 release stated the following in relevant part:

3  
4 "Questcor's strategy to sell more Acthar continues to generate  
5 increasing net sales and earnings," said Don M. Bailey, President  
6 and CEO of Questcor. "Our commercial organization is steadily  
7 expanding the number of neurologists, nephrologists, and child  
8 neurologists prescribing Acthar. We believe Acthar has the potential  
9 to benefit many more MS, NS, IS and possibly lupus patients in the  
10 future."

11 "Our 77 person Specialty Sales Force continues to drive expanded  
12 usage of Acthar as second-line therapy for MS exacerbations, a key  
13 Acthar market," commented Steve Cartt, Executive Vice President  
14 and Chief Business Officer. "Furthermore, during the third quarter  
15 we completed the expansion of our Nephrology Sales Force from 5  
16 to 28 representatives, with all new personnel being fully trained and  
17 making initial sales calls by October 1st. Despite the inherent  
18 disruption involved with this expansion, paid nephrotic syndrome  
19 Acthar prescriptions increased during the quarter. September was a  
20 particularly strong month for both MS and NS sales."

21 31. After issuing its third quarter 2011 financial results on October 25,  
22 2011, Questcor hosted a conference call where Defendants reiterated the  
23 financial results reported in the Company's press release and Defendant Mulroy  
24 discussed the Company's financial performance in depth. Defendants Bailey  
25 and Cartt represented the following in relevant part:

26 [CARTT:] [W]e shipped 886 paid Acthar prescriptions for the  
27 treatment of MS relapses during the third quarter of 2011. This was  
28 an increase of 174% over the year ago period. In addition to strong  
script growth, other positive trends in our MS business indicate that  
we are building momentum in this key Acthar market.

\* \* \*



1 Switching gears to the subject of new scientific data, several Acthar-  
2 related abstracts will be presented in November at the Annual  
3 Meeting of the American Society of Nephrology or ASN held this  
4 year in Philadelphia. These abstracts are available on ASN's website  
5 www.asn-online.org. The new data provides further insight into the  
6 immune modulating and other therapeutic properties of Acthar  
7 specifically relating to kidney disease.

8 We believe the availability of this data provides further evidence for  
9 the direct action of Acthar on kidney disease. And importantly, the  
10 first three abstracts shown may specifically enhance our near-term  
11 selling efforts in nephrology. Our emerging understanding of the  
12 apparent immune modulating properties of Acthar is also beginning  
13 to encourage us to investigate the potentially broader therapeutic  
14 applications of Acthar in other inflammatory and autoimmune  
15 diseases, many of which are already on the product label for Acthar.

16 32. On October 27, 2011, Questcor filed a quarterly report for the  
17 period ended September 30, 2011 on Form 10-Q with the SEC, which was  
18 signed by Defendants Bailey and Mulroy and reiterated the Company's  
19 previously announced financial results. In addition, the Form 10-Q contained  
20 signed certifications pursuant to SOX by Defendants Bailey and Mulroy stating  
21 that the information contained in the Form 10-Q was accurate and disclosed any  
22 material changes to the Company's internal control over financial reporting.

23 33. In connection with its marketing and promotional activities, the  
24 Form 10-Q stated the following in relevant part:

25 Selling and marketing expenses were \$13.7 million for the three  
26 months ended September 30, 2011, as compared to \$7.7 million for  
27 the three months ended September 30, 2010. The increase of \$6.1  
28 million in 2011 as compared to 2010 is due primarily to increases in  
headcount related costs and costs associated with our expanded

1 sales and marketing effort. During the latter part of 2010, to further  
2 build on positive prescription trends, we increased the size of our  
3 Specialty Sales Force, which calls on neurologists, from 38  
4 representatives to 77 representatives effective November 2010.  
5 Additionally, in March 2011, we assembled a Nephrology Sales  
6 Force which promotes Acthar exclusively to nephrologists for use in  
7 treating NS. Our initial Nephrology Sales Force was comprised of  
8 just five representatives and, based on the results of their efforts we  
9 have significantly expanded our NS selling effort. Specifically, we  
10 have hired approximately 23 additional representatives for our  
11 Nephrology Sales Force and have given a limited supportive selling  
12 role to our 77 representative Specialty Sales Force.

13 34. On January 11, 2012, *TheStreetSweeper.org* issued an article stating  
14 that it would publish the first part of a two-part investigative series about  
15 Questcor in the following week. The article stated the following in relevant part:

16 The first article raises serious questions about the aggressive  
17 marketing practices that QCOR has used to generate explosive – but  
18 potentially unsustainable – growth in prescriptions for its only drug  
19 while the second story further examines QCOR's business practices,  
20 while taking a hard look at the leaders who have struck it rich as a  
21 result of the company's controversial growth strategy.

22 35. In response to the *StreetSweeper* article, Questcor's stock price  
23 dropped \$6.20 per share or nearly 15%, to close at \$35.34 per share on January  
24 11, 2012.

25 36. On January 11, 2012, Questcor issued a press release entitled  
26 "Questcor Pharmaceuticals Issues Statement," which stated in relevant part:

27 Questcor Pharmaceuticals, Inc. (NASDAQ: QCOR) today  
28 announced it became aware that an investor blog is preparing to

1 issue a report regarding the Company's marketing and business  
2 practices. Questcor issued the following statement:

3 The Company believes that its marketing and business practices are  
4 consistent with regulatory requirements and industry standard  
5 practices. Questcor markets H.P. Acthar® Gel for the treatment of  
6 acute exacerbations of multiple sclerosis (MS) in adults, the  
7 treatment of nephrotic syndrome, and the treatment of infantile  
8 spasms in children under two years of age. The Company maintains  
9 a compliance program, which is led by an experienced compliance  
10 officer and includes the active participation of Questcor's executive  
11 management team. Questcor attributes its success to the ability of  
12 Acthar to potentially address the unmet medical need associated  
13 with MS exacerbations and nephrotic syndrome. The Company is  
14 committed to providing access to Acthar to patients who need it,  
and marketing Acthar in accordance with regulatory requirements  
and industry standard practices. Questcor plans to speak with the  
publication to discuss the Company and its marketing and business  
practices.

15 37. On February 22, 2012, Questcor issued a press release announcing  
16 financial results for its fourth quarter and year ended December 31, 2011. For  
17 the quarter, the Company reported net income of \$31.6 million, or \$0.48 diluted  
18 EPS, and net sales of \$75.5 million as compared to net income of \$6.4 million,  
19 or \$0.10 diluted EPS, and net sales of \$29.3 million for the same period a year  
20 ago. For the year, the Company reported net income of \$79.6 million, or \$1.21  
21 diluted EPS, and net sales of \$218.2 million as compared to net income of \$35  
22 million, or \$0.54 diluted EPS and net sales of \$115.1 million for the same period  
23 a year ago. The release stated in relevant part:  
24  
25  
26  
27

28 "Net sales growth in the fourth quarter was driven by the increasing  
numbers of physicians who are recognizing the potential for Acthar

1 to help patients with MS and NS," said Don M. Bailey, President  
2 and CEO of Questcor. "We are particularly encouraged by the  
3 growing number of physicians who recognize the therapeutic value  
4 of Acthar in their practices, especially for those patients who have  
5 not adequately responded to other treatments."

6 38. Also on February 22, 2012, the Company filed an annual report for  
7 the period ended December 31, 2011 on Form 10-K with the SEC, which was  
8 signed by, among others, Defendants Bailey and Mulroy, and reiterated the  
9 Company's previously announced annual financial results and financial position.  
10 In addition, the Form 10-K contained signed certifications pursuant to SOX by  
11 Defendants Bailey and Mulroy, stating that the financial information contained  
12 in the Form 10-K was accurate and disclosed any material changes to the  
13 Company's internal control over financial reporting.  
14

15 39. In connection with its marketing and promotion activities, the 10-K  
16 stated the following in relevant part:  
17

18 Selling and marketing expenses were \$56.7 million for the year  
19 ended December 31, 2011, as compared to \$31.5 million in 2010  
20 and \$19.3 million in 2009. The increase of \$25.2 million in 2011 as  
21 compared to 2010 is due primarily to increases in headcount related  
22 costs, including increased incentive payments to our commercial  
23 team and increased bonus compensation for other Company  
24 employees, and costs associated with our expanded sales and  
25 marketing effort. During the latter part of 2010, to further build on  
26 positive prescription trends, we increased the size of our Specialty  
27 Sales Force, which calls on neurologists, from 38 representatives to  
28 77 representatives effective November 2010. Additionally, in March  
2011, we assembled a Nephrology Sales Force that promotes Acthar  
exclusively to nephrologists for use in treating NS. Our initial

1 Nephrology Sales Force was comprised of five representatives and,  
2 based on the results of their efforts, we significantly expanded our  
3 NS selling effort. Specifically, we hired approximately 23 additional  
4 representatives for our Nephrology Sales Force and have given a  
5 limited supportive selling role to the 77 representatives in our  
6 Specialty Sales Force. While we have announced our intention to  
7 expand our MS and NS sales forces in 2012, our prescription  
8 growth trend may not continue and/or our sales force expansions  
9 intended for 2012 may not be successful. The process of  
10 significantly expanding a sales force in the biopharmaceutical  
11 industry is complex. We modify and re-allocate individual sales  
12 territories across our enlarged sales force, which can cause  
13 temporary disruptions in our selling efforts. Additionally, while the  
14 cost of our new sales representatives impacts our operating expenses  
15 immediately, there can be a delay in the expected ability of our new  
16 representatives to increase our net sales due to the time it takes for  
17 us to train the new representatives and for the new representatives to  
18 establish professional relationships with prescribing physicians  
19 within their territories.

20 40. After issuing its fourth quarter and full year 2011 financial results,  
21 Questcor hosted a conference call where Defendants reiterated the financial  
22 results reported in the Company's press release and Defendant Mulroy discussed  
23 the Company's financial performance in depth. Defendants Bailey, Cartt and  
24 Young represented the following in relevant part:

25 [BAILEY:] As we look ahead to 2012 and beyond, we believe we  
26 can sustain and re-grow our business due to three key factors. First,  
27 Acthar provides benefits to many difficult-to-treat patients, not  
28 responding to other treatments. Second, our market penetration in  
terms of the total number of neurologists and nephrologists  
prescribing Acthar while growing remains relatively small and third,  
we have [assembled an excellent,] experienced commercial team to  
pursue our growth plan.

1 Our focus remains on helping patients with serious difficult-to-treat  
2 medical conditions.

3 \* \* \*

4 [CARTT:] A key priority of ours continues to be educating both  
5 physicians and patients about how Acthar is a viable treatment option  
6 for MS exacerbation or relapses, particularly in those patients not  
7 well served by steroid, which are generally considered first line  
8 therapy by most neurologists. This focus drove our year-over-year  
9 increase in the number of paid Acthar prescriptions for MS.

10 In the fourth quarter of 2011, there were 945 paid and shipped  
11 Acthar MS prescriptions, up from 354 scripts in the fourth quarter  
12 of 2010. This is a 167% year-over-year increase. There were several  
13 factors behind this growth; positive patient outcome, increasing  
14 awareness among neurologists about how best to incorporate Acthar  
15 into their practices, continued excellent Acthar insurance coverage  
16 for MS relapses and the increase in productivity of our MS  
17 commercial team, all combined to generate this growth.

18 \* \* \*

19 We believe that because Acthar provides real and substantial benefits  
20 to many patients who would otherwise continue to suffer the effects  
21 of serious, difficult-to-treat disorders, our growth should be  
22 sustainable. We are expanding the Organization and associated  
23 infrastructure to address the significant growth opportunities in front  
24 of us. At the same time, we are off to a good start to 2012, with  
25 January MS, NS, and IS paid prescription each having a good month.

26 41. On April 24, 2012, Questcor issued a press release announcing  
27 financial results for its first quarter ended March 31, 2012. The Company  
28 reported net income of \$38.5 million, or \$0.58 diluted EPS, and net sales of  
\$96.0 million, as compared to net income of \$11.2 million, or \$0.17 diluted EPS,  
and net sales of \$36.8 million for the same period a year ago. The release stated  
the following in relevant part:



1 “While our substantial NS commercial effort only began in the  
2 fourth quarter of 2011, the value of NS shipped prescriptions now  
3 exceeds that of MS,” said Don M. Bailey, President and CEO of  
4 Questcor. “This faster-than-expected NS growth drove us to further  
5 expand the NS commercial effort prior to the additional expansion  
6 of our MS commercial team.”

7 42. After issuing its first quarter 2012 financial results on April 24,  
8 2012, Questcor hosted a conference call where Defendants reiterated the  
9 financial results reported in the Company’s press release and Defendant Mulroy  
10 discussed the Company’s financial performance in depth. Defendants Bailey,  
11 Cartt and Young represented the following in relevant part:

12 [BAILEY:] Questcor’s unconventional, but simple business model  
13 continues to produce excellent financial results. Shift files, net sales  
14 and earnings will all up well over 100% year-over-year. We  
15 continued to expand nephrologist and neurologist awareness, our  
16 patient benefits from Acthar and as a result, pay prescriptions  
17 continue to increase.

18 Driving our growth in the first quarter was the strong increase in paid  
19 prescriptions written by nephrologist to treat patients with nephrotic  
20 syndrome, a serious kidney ailment. After a successful pilot program,  
21 we stepped up our nephrology commercial effort last October. The  
22 expected revenues from nephrotic syndrome prescriptions are  
23 accelerating to the point that by our calculation, nephrotic syndrome  
24 scrip value now exceeds MS.

25 \* \* \*

26 [CARTT:] Insurance reimbursements for Acthar and nephrotic  
27 syndrome continues to be very good with more than 85% of private  
28 insurance prescriptions covered. We attribute this continued strong  
coverage to the severity of the health outcome, if nephrotic syndrome  
is not adequately treated, coupled with the fact that Acthar is  
indicated and approved in this condition, and there are few other  
treatment options.

1 Further supporting both coverage and prescribing activity is the  
2 ongoing flow of positive results coming from the various studies we  
3 are funding. In fact data from one study at the University of Toronto  
4 is being presented just this week at the Canadian Nephrology Society  
5 Annual Meeting. This particular study found that about two thirds of  
6 patients with nephrotic syndrome due to idiopathic membranous  
7 nephropathy had their proteinuria drop by 50% or more due to Acthar  
8 treatment.

9 \* \* \*

10 [YOUNG:] As noted by the newest research analyst to cover  
11 Questcor, Acthar can truly be considered a pipeline within a drug.  
12 While quite rare, there are, in effect, a few other successful examples  
13 of the type of product. Soliris and Botox come to mind, for example.  
14 We have a significant opportunity with Acthar to expand use from  
15 our three existing markets that Steve just discussed to other markets  
16 that are part of the list of 19 approved on-label indications.

17 In addition, as we've been learning more about the pharmacology of  
18 Acthar, including how and why Acthar acts differently than steroids,  
19 there are many other new indications with unmet medical needs  
20 where we and others believe Acthar could provide a significant  
21 clinical benefit.

22 Currently, we have approximately 20 company-sponsored pre-  
23 clinical and clinical studies ongoing, and are supporting around 20  
24 ongoing investigator-initiated studies.

25 43. On April 26, 2012, Questcor filed a quarterly report for the period  
26 ended March 31, 2012 on Form 10-Q with the SEC, which was signed by  
27 Defendants Bailey and Mulroy and reiterated the Company's previously  
28 announced financial results. In addition, the Form 10-Q contained signed  
certifications pursuant to SOX by Defendants Bailey and Mulroy stating that the  
information contained in the Form 10-Q was accurate and disclosed any material



1 changes to the Company's internal control over financial reporting.

2 44. In connection with its marketing and promotion activities, the Form  
3  
4 10-Q stated the following in relevant part:

5 Selling and marketing expenses were \$21.7 million for the three  
6 months ended March 31, 2012, as compared to \$11.3 million for the  
7 three months ended March 31, 2011. The increase of \$10.5 million  
8 in 2012 as compared to 2011 is due primarily to increases in  
9 headcount related costs, including increased incentive payments to  
10 our commercial team, and costs associated with our expanded sales  
11 and marketing effort. In March 2011, we assembled a Nephrology  
12 Sales Force that promotes Acthar exclusively to nephrologists for  
13 use in treating NS. Our initial Nephrology Sales Force was  
14 comprised of just five representatives, later increased during the  
15 third quarter of 2011 to 28 representatives based on the results of  
16 their efforts and is currently being expanded to 58 representatives.

17 45. On July 10, 2012, Citron Research issued an in-depth research  
18 report on Questcor. Citron expanded on the *StreetSweeper.org* articles and  
19 further raised concerns about the Company's marketing strategy and a possible  
20 generic threat to Acthar. The report discussed the competitive landscape for  
21 Acthar and was critical of the Company's assertions that there were significant  
22 barriers to entry into the market: "[It] is evident that Questcor's Acthar label  
23 simply copies the language of the previously approved generic product label for  
24 ACTH – no sign of the 'secret sauce' the company's misleading language  
25 suggests." Citron further questioned whether there was credible scientific data  
26 to support Questcor's aggressive strategy to expand the use of Acthar for  
27 indications other than infantile spasms. In addition, the research report analyzed  
28

1 the Company's marketing expenses and questioned how the drug was being  
2 marketed to doctors: "The sales and marketing for HP Acthar Gel is now up to  
3 \$6,100 a vial . . . **more than 5 X the original price of the drug before**  
4 **Questcor became involved.**" [Emphasis in original.] The Citron report  
5 criticized Questcor for the lack of any meaningful research and development by  
6 the Company: "Just the insider selling over the last year represents more cash  
7 than Questcor has spent on research and development over its entire lifespan,"  
8 the report stated. The Citron report was not only critical of the amount of insider  
9 selling over the past year but was also critical of its timing: "[W]henver we see  
10 **large insider selling at the same time the company is buying back large**  
11 **amounts of stock,** it is an ominous sign." [Emphasis in original.]

12 46. On July 10, 2012, Questcor's common stock dropped \$12.57 per  
13 share or nearly 22%, to close at \$45.07 per share on July 10, 2012.

14 47. On July 24, 2012, Questcor issued a press release announcing  
15 financial results for its second quarter ended June 30, 2012. The Company  
16 reported net income of \$41.5 million, or \$0.65 diluted EPS, and net sales of  
17 \$112.5 million, as compared to net income of \$13.9 million, or \$0.21 diluted  
18 EPS, and net sales of \$45.9 million for the same period a year ago. The release  
19 stated in relevant part:

20 "In the second quarter, we surpassed \$100 million in quarterly net  
21 sales for the first time in our history," said Don M. Bailey,

1 President and CEO of Questcor. "Our strong financial results were  
2 driven by increasing usage of Acthar among nephrologists and  
3 neurologists. With the expansion of our Nephrology Sales Force  
4 now complete, the expansion of our Neurology Sales Force nearing  
5 completion, and the initial detailing effort of a small sales force in  
6 Rheumatology just getting started, we are optimistic about the  
7 potential for Acthar to help an increasing number of patients with  
8 serious, difficult-to-treat autoimmune and inflammatory disorders."

9 48. After issuing its second quarter 2012 financial results on July 24,  
10 2012, Questcor hosted a conference call where Defendants reiterated the record  
11 financial results reported in the Company's press release and Defendant Mulroy  
12 discussed the Company's financial performance in depth. Defendants Bailey,  
13 Cartt and Young represented the following in relevant part:

14 [BAILEY:] We made significant progress with our business in the  
15 last three months. Financial performance again improved. We  
16 almost doubled the number of shipped vials in the quarter more than  
17 doubled net sales and tripled earnings from the year ago quarter.  
18 Paid scripts increased for both nephrotic syndrome and MS. We  
19 expanded two sales forces and starting building a third sales force in  
20 rheumatology using the same formula that works out well with MS  
21 and nephrotic syndrome. And we also made good progress in both  
22 our science and compliance programs.

23 \* \* \*

24 [CARTT:] Very importantly, we often hear anecdotally that Acthar  
25 treatment is producing positive results for patients. This is not  
26 always the case, of course, not everyone responds, but clearly, many  
27 patients are benefiting significantly from this drug and there are few  
28 other treatment options available. All these factors are contributing  
to the rapid increase in Acthar usage in nephrotic syndrome.

\* \* \*

Our year-over-year growth in MS paid scripts is due to positive patient outcomes, increasing awareness about how Acthar can help patients who are not fully benefiting from other therapies, continued excellent Acthar insurance coverage for MS relapse, and the increasing productivity of our MS commercial team.

\* \* \*

[YOUNG:] As you can see by our operating results reported in today's press release we've been increasing our investment in research and development to better understand the unique immunomodulator and anti-inflammatory properties of Acthar Gel. Our subjects are objective that produce additional supporting data for the commercial team for on-label indications and to expand our Acthar Gel used through FDA beyond the current on-label indications.

Surprisingly, previous owners of Acthar Gel in the pharmaceutical industry in general have not invested in ACTH-based research. Therefore, there are many research areas that still need to be assessed by our R&D group in order to better understand ACTH and the clinical roles of Acthar Gel.

\* \* \*

In summary, I'd like to bring you back to my initial topic on our R&D efforts. We have previously reported our R&D efforts have been and are continuing to focus on three areas. First, producing its additional supporting data for the commercial team for on-label indications. Second, extending Acthar use -- Acthar Gel use beyond existing on-label indications in the following FDA processes. And third, our greatest priority, better understanding the unique chemical, biological and clinical characteristics of Acthar Gel.

Our research results from this third area thus far suggest that development of generic drugs of Acthar Gel is very challenging. All three areas of research are intended to advance the science of Acthar Gel in order to improve to help patients with devastating autoimmune and inflammatory diseases.

49. On July 25, 2012, Questcor filed a quarterly report for the period

1 ended June 30, 2012 on Form 10-Q with the SEC, which was signed by  
2 Defendants Bailey and Mulroy and reiterated the Company's previously  
3 announced financial results. In addition, the Form 10-Q contained signed  
4 certifications pursuant to SOX by Defendants Bailey and Mulroy stating that the  
5 information contained in the Form 10-Q was accurate and that they disclosed  
6 any material changes to the Company's internal control over financial reporting.  
7

8  
9 50. In connection with its marketing and promotion activities, the Form  
10 10-Q stated the following in relevant part:  
11

12 Selling and marketing expenses were \$27.6 million for the three  
13 months ended June 30, 2012, as compared to \$14.7 million for the  
14 three months ended June 30, 2011. The increase of \$12.9 million in  
15 2012 as compared to 2011 is due primarily to increases in  
16 headcount-related costs and costs associated with our expanded  
17 sales and marketing effort. In March 2011, we assembled a  
18 Nephrology Sales Force that details Acthar exclusively to  
19 nephrologists for use in treating NS. Our initial Nephrology Sales  
20 Force was comprised of just five representatives and commenced  
21 activities in the second quarter of 2011. This sales force was  
22 increased during the third quarter of 2011 to 28 representatives  
23 based on the results of their efforts and as of May 29, 2012 was  
24 expanded further to 58 representatives.

25 51. The statements referenced above were materially false and/or  
26 misleading because they misrepresented and failed to disclose the following  
27 adverse facts, which were known to defendants or recklessly disregarded by  
28 them, including that: (i) the Company was disseminating false and misleading  
statements to the public as to the efficacy of its 60-year-old drug, Acthar, as a

1 treatment for multiple sclerosis and for nephrotic syndrome; (ii) the Company  
 2 was marketing Acthar aggressively as a treatment for these conditions, with an  
 3 inadequate compliance program to monitor such marketing; and (iii) as a result  
 4 of the above, the Company's financial statements were materially false and  
 5 misleading at all relevant times.  
 6

### 7 **The Truth Emerges**

9 52. On September 19, 2012, Citron reported that insurance giant Aetna  
 10 had recently revised its policy to severely limit coverage of Questcor's primary  
 11 drug, Acthar. Aetna's findings concluded that clinical research supported only  
 12 one of the 19 indications, that it was only "medically necessary" for treatment of  
 13 West syndrome, a rare condition that causes infantile spasms, and not for other  
 14 indications such as MS which are treated with steroids. According to Aetna's  
 15 Clinical Policy Bulletin:  
 16  
 17  
 18

- 19 I. Aetna considers repository corticotropin (H.P. Acthar® Gel)  
 20 medically necessary for West syndrome (infantile spasms)
- 21 II. Aetna considers repository corticotropin not medically  
 22 necessary for diagnostic testing of adrenocortical function  
 23 because it has not been shown to be superior to cosyntropin  
 24 for this purpose.
- 25 III. Aetna considers repository corticotropin not medically  
 26 necessary for corticosteroid-responsive conditions because it  
 27 has not been proven to be more effective than corticosteroids  
 28 for these indications.
- IV. Aetna considers repository corticotropin experimental and  
 investigational for all other indications because its  
 effectiveness for these indications has not been established.

\*\*\*

1  
2 ACTH Gel [such as Acthar] is rarely necessary for . . .  
3 corticosteroid-responsive conditions [including MS and nephrotic  
4 syndrome]. . . . In addition, there are a lack of clinical studies  
5 comparing the effectiveness of ACTH gel to corticosteroids in  
6 corticosteroid-responsive conditions. Also, because of uncertainties  
7 in the effect of ACTH gel on the magnitude of endogenous cortisol  
8 production, ACTH gel has the potential for inducing significant  
9 adverse effects.

10 53. Later in the day, Questcor issued a press release entitled "Questcor  
11 Comments on Insurance Policy Bulletin," stated the following in relevant part:

12 The Company is continuing to review the Clinical Policy Bulletin  
13 related to Acthar from Aetna Inc. ("Aetna"). Currently, the  
14 Company does not believe that the bulletin represents a material  
15 change in insurance coverage for Acthar by Aetna. During 2012,  
16 Aetna has accounted for approximately 5% of the Company's  
17 shipped prescriptions for Acthar. Based on its current assessment of  
18 the Clinical Policy Bulletin, the Company does not believe that the  
19 bulletin will have a material impact on the Company's results of  
20 operations.

21 54. On this news, Questcor's stock dropped \$24.17 per share or nearly  
22 48%, to close at \$26.35 per share on September 19, 2012.

23 55. On September 24, 2012, Questcor announced in a Form 8-K that the  
24 U.S. government had initiated an investigation into the Company's promotional  
25 practices.

26 56. On this news, Questcor's stock dropped \$11.05 per share, or almost  
27 37%, to close at \$19.08 per share on September 24, 2012.  
28



**Defendants' Duties**

57. By reason of their positions as officers, directors, and fiduciaries of the Company and because of their ability to control the business and corporate affairs of the Company, Defendants owed the Company and its shareholders fiduciary obligations of good faith, loyalty, and candor, and were and are required to use their utmost ability to control and manage the Company in a fair, just, honest, and equitable manner. Defendants were and are required to act in furtherance of the best interests of the Company and its shareholders so as to benefit all shareholders equally and not in furtherance of their personal interest or benefit. Each director and officer of the Company owes to the Company and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the affairs of the Company and in the use and preservation of its property and assets, and the highest obligations of fair dealing.

58. Defendants, because of their positions of control and authority as directors and officers of the Company, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein. Because of their advisory, executive, managerial, and directorial positions with the Company, each of the Defendants had knowledge of material non-public information regarding the Company.

59. To discharge their duties, the officers and directors of the Company



1 were required to exercise reasonable and prudent supervision over the  
2 management, policies, practices and controls of the Company. By virtue of such  
3 duties, the officers and directors of the Company were required to, among other  
4 things:  
5

- 6 a) exercise good faith to ensure the Company's affairs were conducted  
7 in an efficient, business-like manner so as to make it possible to  
8 provide the highest quality performance of their business;
- 9 b) exercise good faith to ensure the Company operated in a diligent,  
10 honest and prudent manner and complied with all applicable federal  
11 and state laws, rules, regulations and requirements, and all  
12 contractual obligations, including acting only within the scope of its  
13 legal authority; and
- 14 c) when put on notice of problems with the Company's business  
15 practices and operations, exercise good faith in taking appropriate  
16 action to correct the misconduct and prevent its recurrence.

#### 17 **DERIVATIVE AND DEMAND EXCUSED ALLEGATIONS**

18 60. Plaintiff brings this action derivatively in the right and for the  
19 benefit of Questcor to redress injuries suffered, and to be suffered, by Questcor  
20 as a direct result of the breaches of fiduciary duty, abuse of control, gross  
21 mismanagement, waste of corporate assets and unjust enrichment, as well as the  
22 aiding and abetting thereof, by the Individual Defendants. Questcor is named as  
23 a nominal defendant solely in a derivative capacity. This is not a collusive  
24 action to confer jurisdiction in this Court that it would not otherwise have.  
25  
26  
27

28 61. Plaintiff will adequately and fairly represent the interests of

1 Questcor and its shareholders in enforcing and prosecuting its rights.

2 62. Plaintiff is the owner of Questcor common stock and was the owner  
3 of Questcor common stock at all times relevant to the Individual Defendants'  
4 wrongful course of conduct alleged herein.  
5

6 63. At the time that this action was commenced, the Questcor Board  
7 was comprised of, among others, the Individual Defendants.  
8

9 64. As a result of the facts set forth herein, Plaintiff has not made any  
10 demand on the Questcor Board to institute this action against the Individual  
11 Defendants. Such demand would be a futile and useless act with respect to each  
12 and every one of the Individual Defendants because they are incapable of  
13 making an independent and disinterested decision to institute and vigorously  
14 prosecute this action for the following reasons:  
15  
16

17 a. Defendants face a substantial likelihood of being held liable for  
18 breaching their fiduciary duties of loyalty and good faith as alleged  
19 herein, and are therefore incapable of disinterestedly and  
20 independently considering a demand to commence and vigorously  
21 prosecute this action.

22 b. Questcor's non-employee directors have received, and continue to  
23 receive, substantial compensation in the form of cash and stock  
24 option awards. These defendants are also interested in maintaining  
25 their positions on the Board so as to safeguard their substantial  
26 compensation and stock options. The following charts illustrate the  
27 substantial compensation that these directors have received, which  
28 demonstrates that demand upon such individuals would be futile:

2011				
Executive	Base Salary	Options Awards	Non-Equity Incentive Plan Compensation	TOTAL
Bailey	\$584,8755	\$2,628,815	\$1,332,540	\$4,546,230
Mulroy	\$342,147	\$938,863	\$466,881	\$1,749,891
Cartt	\$389,917	\$1,126,635	\$781,756	\$2,298,308
Young	\$424,320	\$751,090	\$773,394	\$1,948,804

c. The entire Questcor Board and senior management participated in the wrongs complained of herein. For the reasons described herein, Questcor's directors are not disinterested or independent. Pursuant to their specific duties as Board members, each was charged with the management of the Company and the conduct of its business affairs. Each of the above referenced defendants breached the fiduciary duties they owed to Questcor and its shareholders in that they failed to prevent and correct the dissemination of the Company false and misleading statements. Thus, the Questcor Board cannot exercise independent objective judgment in deciding whether to bring this action or whether to vigorously prosecute this action because its members are interested personally in the outcome because their actions have subjected Questcor to millions of dollars in potential liability for violations of applicable securities laws;

1 d. Individual Defendants certified certain of Questcor's SEC filings.  
2 Accordingly, demand is futile as he faces a substantial likelihood of liability for  
3 breach of fiduciary duties owed to Questcor;  
4

5 e. Individual Defendants were aware of the Company's ongoing  
6 unlawful and improper business practices and the dissemination of materially false  
7 and misleading statements.  
8

9 f. Defendants Thompson, Blutt, and Farrell served on Questcor's Audit  
10 Committee during the Relevant Period. Defendant Farrell was the chairman of  
11 Questcor's Audit Committee during the Relevant Period. The purpose of  
12 Questcor's Audit Committee was to assist the Board in fulfilling its oversight  
13 responsibilities for financial matters. Specifically, the Audit Committee was to  
14 assist the Board in: (1) identifying and recommending to the Board individuals  
15 qualified to become members of our Board and to fill vacant Board positions; (2)  
16 recommending to the Board the director nominees for the next annual meeting of  
17 shareholders; (3) recommending to the Board director committee assignments; (4)  
18 recommending to the Board the compensation for Company directors; (5)  
19 reviewing and evaluating succession planning for our Chief Executive Officer and  
20 other executive officers; (6) monitoring the continuing education program for our  
21 directors; and (7) evaluating annually the Nominations and Corporate Governance  
22 Committee charter. The Audit Committee, moreover, is responsible for oversight  
23  
24  
25  
26  
27  
28

1 of the Company's financial reporting process, including the effectiveness of the  
2 Company's internal accounting and financial controls and procedures, and  
3 controls over the accounting, auditing, and financial reporting practices.  
4 Additionally, the Audit Committee met privately, outside the presence of  
5 Questcor's management, with the Company's independent registered public  
6 accounting firm to discuss, among other matters, all communications required by  
7 standards of the Public Company Accounting Oversight Board, including the  
8 matters required to be discussed by PCAOB AU 380, *Communication with Audit*  
9 *Committees*, and Rule 2-07, *Communication with Audit Committees*, of  
10 Regulation S-X. As part of its oversight role with respect to the Company's  
11 financial statements and the public disclosure of the Company's financial results,  
12 moreover, the Company's Audit Committee regularly reviewed and discussed  
13 with Questcor's management the financial statements included in the Company's  
14 annual reports on Form 10-K and quarterly reports on Form 10-Q, its quarterly  
15 earnings releases, and the financial guidance that the Company provided to  
16 analysts, ratings agencies, and the public. The Audit Committee also met  
17 regularly in separate executive sessions with Questcor's CFO, Chief Accounting  
18 Officer, and other members of the Company's executive management team. As a  
19 result, Defendants Thompson, Blutt, and Farrell knew, or should have known, of  
20 the Company's wrongdoing alleged herein, but intentionally or recklessly violated  
21  
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28

1 their duties as members of the Audit Committee. Specifically, because of these  
2 duties and responsibilities – particularly the Audit Committee’s responsibility to  
3 discuss the Company’s financial information and earnings guidance with  
4 Questcor’s management prior to release – members of the Audit Committee were  
5 aware that Questcor’s positive statements about the Company’s prospects and  
6 growth were made without a reasonable basis. Indeed, through such discussions  
7 with Questcor’s management, the Audit Committee was aware or should have  
8 been aware of the significant problems with Acthar. Further, the Audit Committee  
9 was aware or should have been aware that these processes lacked effective  
10 supervision and oversight and the Company’s operating efficiencies had been  
11 hindered. As such, Defendants breached their fiduciary duties of loyalty and good  
12 faith to the Company. Additionally, the failure of the Individual Defendants to  
13 perform their duties as members of the Audit Committee with loyalty and in good  
14 faith raises a substantial likelihood of non-exculpated personal liability on their  
15 part. As a result, the Individual Defendants cannot impartially consider a demand  
16 on the Board to commence litigation against themselves;

23 g. Each of the key officers and directors knew of and/or directly  
24 benefited from the wrongdoing complained of herein thereby rendering demand  
25 futile;  
26  
27  
28

1 h. The Individual Defendants approved and/or permitted the wrongs  
2 alleged herein to have occurred and participated in efforts to conceal or disguise  
3 those wrongs and/or negligently disregarded the wrongs complained of herein,  
4 and are therefore not disinterested parties;  
5

6 i. In order to bring this suit, all of Questcor's directors would be forced  
7 to sue themselves and persons with whom they have extensive business and  
8 personal entanglements, which they will not do, thereby excusing demand;  
9  
10

11 j. The acts complained of constitute violations of the fiduciary duties  
12 owed by Questcor's officers and directors and these acts are incapable of  
13 ratification;  
14

15 k. Each of the Individual Defendants authorized and/or permitted the  
16 false statements disseminated directly to the public and which were made  
17 available and distributed to shareholders, authorized and/or permitted the issuance  
18 of various of the false and misleading statements and are principal beneficiaries of  
19 the wrongdoing alleged herein, and thus could not fairly and fully prosecute such  
20 a suit even if they instituted it;  
21  
22

23 l. Any suit by the Company's current directors to remedy these wrongs  
24 would likely expose the Individual Defendants and Questcor to further violations  
25 of the securities laws that would result in civil actions being filed against one or  
26  
27  
28

1 more of the Individual Defendants, thus, they are hopelessly conflicted in making  
2 any supposedly independent determination whether to sue themselves;

3 m. Questcor has been, and will continue to be, exposed to significant  
4 losses due to the wrongdoing complained of herein, yet the Individual Defendants  
5 have not filed any lawsuits against themselves or others who were responsible for  
6 that wrongful conduct to attempt to recover for Questcor any part of the damages  
7 Questcor suffered and will suffer thereby; and

8 o. If the current directors were to bring this derivative action against  
9 themselves, they would thereby expose their own misconduct, which underlies  
10 allegations against them contained in a class action complaint for violations of  
11 securities law, which admissions would impair their defense of the class action  
12 and greatly increase the probability of their personal liability in the class action, in  
13 an amount likely to be in excess of any insurance coverage available to the  
14 Individual Defendants. Thus, the Individual Defendants would be forced to take  
15 positions contrary to the defenses they will likely assert in the securities class  
16 action.

17 p. Moreover, despite the Individual Defendants having knowledge of  
18 the claims and causes of action raised by Plaintiff, the current Board has failed  
19 and refused to seek to recover for Questcor for any of the wrongdoing alleged by  
20 plaintiff herein.



1           65. Plaintiff, moreover, has not made any demand on shareholders of  
2 Questcor to institute this action since demand would be a futile and useless act  
3 for the following reasons:  
4

5           a. Questcor is a publicly held company with over 59.6 million  
6 shares outstanding, and thousands of shareholders;  
7

8           b. Making demand on such a number of shareholders would be  
9 impossible for Plaintiff who has no way of finding out the names, addresses of  
10 phone numbers of shareholders; and  
11

12           c. Making demand on all shareholders would force plaintiff to  
13 incur huge expenses, assuming all shareholders could be individually identified.  
14

15           66. Furthermore, the conduct complained of herein could not have been  
16 the product of good faith business judgment, and each of these directors faces a  
17 substantial likelihood of liability for breaching their fiduciary duties because,  
18 through their intentional misconduct, they have subjected Questcor to substantial  
19 damages. Furthermore, the conduct of the Individual Defendants has subjected  
20 the Company to potential liability in connection with a securities fraud class  
21 action entitled *Lee Beng Heng v. Questcor Corporation*, Civil Action Number  
22 8:2012-cv-01707, pending in the United States District Court for the Central  
23 District of California. Through their intentional misconduct, Individual  
24 Defendants have subjected the Company to potential costs, fines, and judgments  
25  
26  
27  
28

1 associated with the securities class action. Such actions by the Individual  
2 Defendants cannot be protected by the business judgment rule. Accordingly,  
3 making a pre-suit demand on the Individual Defendants would be futile.  
4

5 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

6 67. Plaintiff brings this action as a class action pursuant to Federal Rule  
7 of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those  
8 who purchased or otherwise acquired Questcor securities during the Class Period  
9 (the "Class"); and were damaged thereby. Excluded from the Class are  
10 defendants herein, the officers and directors of the Company, at all relevant  
11 times, members of their immediate families and their legal representatives, heirs,  
12 successors or assigns and any entity in which defendants have or had a  
13 controlling interest.  
14

15 68. The members of the Class are so numerous that joinder of all  
16 members is impracticable. Throughout the Class Period, Questcor securities  
17 were actively traded on the NASDAQ. While the exact number of Class  
18 members is unknown to Plaintiff at this time and can be ascertained only through  
19 appropriate discovery, Plaintiff believes that there are hundreds or thousands of  
20 members in the proposed Class. Record owners and other members of the Class  
21 may be identified from records maintained by Questcor or its transfer agent and  
22 may be notified of the pendency of this action by mail, using the form of notice  
23  
24  
25  
26  
27  
28

1 similar to that customarily used in securities class actions.

2 69. Plaintiff's claims are typical of the claims of the members of the  
3 Class as all members of the Class are similarly affected by defendants' wrongful  
4 conduct in violation of federal law that is complained of herein.  
5

6 70. Plaintiff will fairly and adequately protect the interests of the  
7 members of the Class and has retained counsel competent and experienced in  
8 class and securities litigation. Plaintiff has no interests antagonistic to or in  
9 conflict with those of the Class.  
10

11 71. Common questions of law and fact exist as to all members of the  
12 Class and predominate over any questions solely affecting individual members  
13 of the Class. Among the questions of law and fact common to the Class are:  
14

- 15 • whether the defendants' acts as alleged herein constitute  
16 breaches of fiduciary duties;  
17
- 18 • whether statements made by defendants to the investing public  
19 during the relevant period misrepresented material facts about  
20 the business, operations and management of Questcor;
- 21 • whether the Individual Defendants caused Questcor to issue false  
22 and misleading financial statements during the relevant period;
- 23 • whether defendants acted knowingly or recklessly in issuing  
24 false and misleading financial statements;
- 25 • whether the prices of Questcor securities during the relevant  
26 period were artificially inflated because of the defendants'  
27 conduct complained of herein;
- 28 • whether defendants actions constitute gross mismanagement, and

- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

72. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

**COUNT I**  
**(AGAINST THE INDIVIDUAL DEFENDANTS FOR BREACH OF**  
**FIDUCIARY DUTY)**

73. Plaintiff incorporates by reference each of the preceding paragraphs as though they were set forth in full herein.

74. Defendants owed a fiduciary duty to Questcor to supervise the issuance of the Company's press releases and public filings to ensure that they were truthful and accurate and they such filings conformed to applicable securities laws. Defendants, however, breached their fiduciary duties by failing to properly supervise and monitor the adequacy of Questcor's internal controls and by allowing the Company to issue and disseminate misleading statements and filings.

75. Defendants have engaged in a sustained and systematic failure to

1 exercise their oversight responsibilities and to ensure that Questcor complied  
2 with applicable laws, rules and regulations.

3  
4 76. As members of the Questcor Board, the Individual Defendants were  
5 directly responsible for authorizing, permitting the authorization of, or failing to  
6 monitor the practices that resulted in violations of applicable laws as alleged  
7 herein. Each of them had knowledge of and actively participated in, approved,  
8 and/or acquiesced in the wrongdoing alleged herein or abdicated his or her  
9 responsibilities with respect to this wrongdoing. The alleged acts of wrongdoing  
10 have subjected the Company to unreasonable risks of loss and expenses.  
11  
12

13  
14 77. Each of defendants' acts in causing or permitting the Company to  
15 disseminate material misrepresentations and omissions to the investing public  
16 and abdicating his or her oversight responsibilities to the Company have  
17 subjected the Company to liability for violations of applicable laws, and  
18 therefore were not the product of a valid exercise of business judgment,  
19 constituting a complete abdication of their duties as officers and/or directors of  
20 the Company. As a result of defendants' breaches, Questcor is the subject of a  
21 major securities fraud class action lawsuit by defrauded investors, and the  
22 Company's reputation in the business community and financial markets has been  
23 irreparably tarnished.  
24  
25  
26  
27  
28

**COUNT II**  
**(AGAINST THE INDIVIDUAL DEFENDANTS FOR GROSS**  
**MISMANGEMENT)**

78. Plaintiff incorporates by reference each of the preceding paragraphs as though they were set forth in full herein.

79. Defendants had a duty to Questcor and its shareholders to prudently supervise, manage, and control the operations, business, and internal financial accounting and disclosures of the Company. Defendants, however, by their actions and by engaging in the wrongdoing alleged herein, abandoned and abdicated their responsibilities and duties with regard to prudently managing the business of Questcor in a manner consistent with the duties imposed upon them by law. By committing the misconduct alleged herein, defendants breached their duties of due care, diligence, and candor in the management and administration of Questcor's affairs and in the use and preservation of the Company's assets.

80. During the course of the discharge of their duties, defendants were aware of the unreasonable risks and losses associated with their misconduct. Nevertheless, defendants caused Questcor to engage in the scheme described herein which they knew had an unreasonable risk of damage to the Company, thus breaching their duties to the Company. As a result, defendants grossly mismanaged Questcor, thereby causing damage to the Company.

**COUNT III**  
**(AGAINST THE INDIVIDUAL DEFENDANTS FOR CONTRIBUTION**  
**AND INDEMNIFICATION)**

81. Plaintiff incorporates by reference each of the preceding paragraphs as though they were set forth in full herein.

82. Questcor is alleged to be liable to various persons, entities and/or classes by virtue of the facts alleged herein that give rise to defendants' liability to the Company.

83. Questcor's alleged liability on account of the wrongful acts, practices, and related misconduct alleged arises, in whole or in part, from the knowing, reckless, disloyal and/or bad faith acts or omissions of defendants, and the Company is entitled to contribution and indemnification from each defendant in connection with all such claims that have been, are, or may in the future be asserted against Questcor, by virtue of the Individual Defendants' misconduct.

**COUNT IV**  
**(AGAINST THE INDIVIDUAL DEFENDANTS FOR ABUSE OF**  
**CONTROL)**

84. Plaintiff incorporates by reference each of the preceding paragraphs as though they were set forth in full herein.

85. The Individual Defendants' conduct, as alleged herein, constituted an abuse of their control over Questcor.



1           86. As a direct and proximate result of the Individual Defendants' abuse  
2 of control, the Company has suffered, and will continue to suffer, damages for  
3 which the Individual Defendants are liable. Plaintiff, moreover, has no adequate  
4 remedy at law.  
5

6  
7                                   **COUNT V**  
8                                   **(AGAINST THE INDIVIDUAL DEFENDANTS FOR**  
9                                   **WASTE OF CORPORATE ASSETS)**

10           87. Plaintiff incorporates by reference each of the preceding paragraphs  
11 as though they were set forth in full herein.  
12

13           88. The Individual Defendants' conduct, as alleged herein, constituted a  
14 waste of the corporate assets of Questcor.  
15

16           89. As a direct and proximate result of the Individual Defendants' abuse  
17 of control, the Company has suffered, and will continue to suffer, damages for  
18 which the Individual Defendants are liable. Plaintiff, moreover, has no adequate  
19 remedy at law.  
20

21                                   **PRAYER FOR RELIEF**

22           WHEREFORE, Plaintiff prays for judgment as follows:  
23

- 24           a. Against all of the Individual Defendants and in favor of the Company  
25 for the amount of damages sustained by the Company as a result of  
26 the Individual Defendants' breaches of fiduciary duties;  
27           b. Awarding to plaintiff the costs and disbursements of the action,  
28 including reasonable attorneys' fees, accountants' and experts' fees,  
costs, and expenses; and

1 c. Granting such other and further relief as the Court deems just and  
2 proper.

3 **JURY DEMAND**

4 Plaintiff demands a trial by jury.  
5  
6

7 Dated: October 11, 2012

THE WAGNER FIRM

8 By:   
9

Avi Wagner

10 1925 Century Park East, Suite 2100

11 Los Angeles, California 90067

12 Telephone: (310) 491-7949

13 Facsimile: (310) 694-3967

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14 Patrick W. Powers

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Dallas, Texas 75206

19 Phone: 214.239.8900

20 Fax: 214.239.8901

21 zach@powerstaylor.com

patrick@powerstaylor.com

22 Willie C. Briscoe

23 THE BRISCOE LAW FIRM, PLLC

24 8117 Preston Road, Suite 300

Dallas, Texas 75225

25 Phone: 214.706.9314

26 Fax: 214.706.9315

wbriscoe@thebriscoelawfirm.com

27 *Counsel for Plaintiff*  
28

**VERIFICATION OF COMPLAINT**

I, Earl Richards, am the named plaintiff in this action brought derivatively on behalf of Questcor Pharmaceuticals, Inc. I have read this verification as well as the Verified Shareholder-Derivative Complaint. As to those allegations of which I have personal knowledge, I believe them to be true. As to those allegations of which I do not have personal knowledge, I rely on my counsel and their investigation and for that reason believe them to be true. I am a current Questcor Pharmaceuticals, Inc. shareholder and have been a Questcor Pharmaceuticals, Inc. shareholder throughout the period in which the wrongful conduct as alleged in this complaint occurred.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 10 day of October, 2012 at Acworth, Georgia.

## Name &amp; Address:

Avi Wagner (SBN 226688)  
 THE WAGNER FIRM  
 1925 Century Park East, Suite 2100  
 Los Angeles, California 90067  
 Telephone: (310) 491-7949

UNITED STATES DISTRICT COURT  
 CENTRAL DISTRICT OF CALIFORNIA

EARL RICHARDS, Individually and On Behalf of All  
 Others Similarly Situated,

PLAINTIFF(S)

v.

Don M. Bailey, Michael H. Mulroy, Stephen L. Cartt,  
 David Young, Virgil D. Thompson, Mitchell J. Blutt,  
 Stephen C. Farrell & Questcor Pharmaceuticals, Inc.

DEFENDANT(S).

CASE NUMBER

SACV12 1754

DOC (ML 4x)

## SUMMONS

TO: DEFENDANT(S):

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it), you must serve on the plaintiff an answer to the attached ☒ complaint ☐ \_\_\_\_\_ amended complaint ☐ counterclaim ☐ cross-claim or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff's attorney, Avi Wagner, whose address is THE WAGNER FIRM, 1925 Century Park East, Suite 2100, Los Angeles, CA 90067. If you fail to do so, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

OCT 11 2012

Dated: \_\_\_\_\_

Clerk, U.S. District Court

By: \_\_\_\_\_

Deputy Clerk

(Seal of the Court)

[Use 60 days if the defendant is the United States or a United States agency, or is an officer or employee of the United States. Allowed 60 days by Rule 12(a)(3)].

## Name &amp; Address:

Avi Wagner (SBN 226688)  
 THE WAGNER FIRM  
 1925 Century Park East, Suite 2100  
 Los Angeles, California 90067  
 Telephone: (310) 491-7949

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EARL RICHARDS, Individually and On Behalf of All  
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DOC (MLT-X)

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OCT 11 2012

Dated: \_\_\_\_\_

Clerk, U.S. District Court

By: \_\_\_\_\_

Deputy Clerk

(Seal of the Court)

[Use 60 days if the defendant is the United States or a United States agency, or is an officer or employee of the United States. Allowed 60 days by Rule 12(a)(3)].

**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

**NOTICE OF ASSIGNMENT TO UNITED STATES MAGISTRATE JUDGE FOR DISCOVERY**

This case has been assigned to District Judge David O. Carter and the assigned discovery Magistrate Judge is Marc Goldman.

The case number on all documents filed with the Court should read as follows:

**SACV12- 1754 DOC (MLGx)**

Pursuant to General Order 05-07 of the United States District Court for the Central District of California, the Magistrate Judge has been designated to hear discovery related motions.

All discovery related motions should be noticed on the calendar of the Magistrate Judge

=====

**NOTICE TO COUNSEL**

*A copy of this notice must be served with the summons and complaint on all defendants (if a removal action is filed, a copy of this notice must be served on all plaintiffs).*

Subsequent documents must be filed at the following location:

☐ **Western Division**  
312 N. Spring St., Rm. G-8  
Los Angeles, CA 90012

☒ **Southern Division**  
411 West Fourth St., Rm. 1-053  
Santa Ana, CA 92701-4516

☐ **Eastern Division**  
3470 Twelfth St., Rm. 134  
Riverside, CA 92501

Failure to file at the proper location will result in your documents being returned to you.

**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA**  
**CIVIL COVER SHEET**

<b>I (a) PLAINTIFFS</b> (Check box if you are representing yourself <input type="checkbox"/> EARL RICHARDS, Individually and On Behalf of All Others Similarly Situated,	<b>DEFENDANTS</b> Don M. Bailey, Michael H. Mulroy, Stephen L. Cartt, David Young, Virgil D. Thompson, Mitchell J. Blutt, Stephen C. Farrell & Questcor Pharmaceuticals, Inc.
<b>(b) Attorneys</b> (Firm Name, Address and Telephone Number. If you are representing yourself, provide same.)  Avi Wagner (SBN 226688), THE WAGNER FIRM, 1925 Century Park East, Suite 2100, Los Angeles, California 90067, Telephone: (310) 491-7949	<b>Attorneys (If Known)</b>

<b>II. BASIS OF JURISDICTION</b> (Place an X in one box only.)  <input type="checkbox"/> 1 U.S. Government Plaintiff <input type="checkbox"/> 3 Federal Question (U.S. Government Not a Party)  <input type="checkbox"/> 2 U.S. Government Defendant <input checked="" type="checkbox"/> 4 Diversity (Indicate Citizenship of Parties in Item III)	<b>III. CITIZENSHIP OF PRINCIPAL PARTIES - For Diversity Cases Only</b> (Place an X in one box for plaintiff and one for defendant.) <table style="width:100%; border: none;"> <tr> <td style="width:35%;"></td> <td style="width:10%; text-align: center;"><b>PTF</b></td> <td style="width:10%; text-align: center;"><b>DEF</b></td> <td style="width:45%;"></td> <td style="width:10%; text-align: center;"><b>PTF</b></td> <td style="width:10%; text-align: center;"><b>DEF</b></td> </tr> <tr> <td>Citizen of This State</td> <td align="center"><input type="checkbox"/> 1</td> <td align="center"><input checked="" type="checkbox"/> 1</td> <td>Incorporated or Principal Place of Business in this State</td> <td align="center"><input type="checkbox"/> 4</td> <td align="center"><input type="checkbox"/> 4</td> </tr> <tr> <td>Citizen of Another State</td> <td align="center"><input checked="" type="checkbox"/> 2</td> <td align="center"><input type="checkbox"/> 2</td> <td>Incorporated and Principal Place of Business in Another State</td> <td align="center"><input type="checkbox"/> 5</td> <td align="center"><input type="checkbox"/> 5</td> </tr> <tr> <td>Citizen or Subject of a Foreign Country</td> <td align="center"><input type="checkbox"/> 3</td> <td align="center"><input type="checkbox"/> 3</td> <td>Foreign Nation</td> <td align="center"><input type="checkbox"/> 6</td> <td align="center"><input type="checkbox"/> 6</td> </tr> </table>		<b>PTF</b>	<b>DEF</b>		<b>PTF</b>	<b>DEF</b>	Citizen of This State	<input type="checkbox"/> 1	<input checked="" type="checkbox"/> 1	Incorporated or Principal Place of Business in this State	<input type="checkbox"/> 4	<input type="checkbox"/> 4	Citizen of Another State	<input checked="" type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated and Principal Place of Business in Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5	Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6
	<b>PTF</b>	<b>DEF</b>		<b>PTF</b>	<b>DEF</b>																				
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Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6																				

**IV. ORIGIN** (Place an X in one box only.)

<input checked="" type="checkbox"/> 1 Original Proceeding	<input type="checkbox"/> 2 Removed from State Court	<input type="checkbox"/> 3 Remanded from Appellate Court	<input type="checkbox"/> 4 Reinstated or Reopened	<input type="checkbox"/> 5 Transferred from another district (specify):	<input type="checkbox"/> 6 Multi-District Litigation	<input type="checkbox"/> 7 Appeal to District Judge from Magistrate Judge
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**V. REQUESTED IN COMPLAINT: JURY DEMAND:** ☒ Yes    ☐ No (Check 'Yes' only if demanded in complaint.)

**CLASS ACTION under F.R.C.P. 23:** ☒ Yes    ☐ No                      **MONEY DEMANDED IN COMPLAINT: \$** \_\_\_\_\_

**VI. CAUSE OF ACTION** (Cite the U.S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.)  
 28 U.S.C. Section 1332(a)(2) - Breach of Fiduciary Duty, Gross Mismanagement, Contribution & Indemnification, Abuse of Control, Waste of Corporate Assets

**VII. NATURE OF SUIT** (Place an X in one box only.)

<b>OTHER STATUTES</b> <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce/ICC Rates/etc. <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 810 Selective Service <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Act <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Info. Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes	<b>CONTRACT</b> <input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loan (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input checked="" type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise <b>REAL PROPERTY</b> <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<b>TORTS</b> <b>PERSONAL INJURY</b> <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Fed. Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <input type="checkbox"/> 362 Personal Injury-Med Malpractice <input type="checkbox"/> 365 Personal Injury-Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability <b>IMMIGRATION</b> <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 463 Habeas Corpus-Alien Detainee <input type="checkbox"/> 465 Other Immigration Actions	<b>TORTS</b> <b>PERSONAL PROPERTY</b> <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability <b>BANKRUPTCY</b> <input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 <b>CIVIL RIGHTS</b> <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 American with Disabilities - Employment <input type="checkbox"/> 446 American with Disabilities - Other <input type="checkbox"/> 440 Other Civil Rights	<b>PRISONER PETITIONS</b> <input type="checkbox"/> 510 Motions to Vacate Sentence <input type="checkbox"/> 530 General Habeas Corpus <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus/Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition <b>FORFEITURE/PENALTY</b> <input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs <input type="checkbox"/> 660 Occupational Safety /Health <input type="checkbox"/> 690 Other	<b>LABOR</b> <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act <b>PROPERTY RIGHTS</b> <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark <b>SOCIAL SECURITY</b> <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) <b>FEDERAL TAX SUITS</b> <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS-Third Party 26 USC 7609
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SACV 12-1754

**FOR OFFICE USE ONLY:** Case Number: \_\_\_\_\_

**AFTER COMPLETING THE FRONT SIDE OF FORM CV-71, COMPLETE THE INFORMATION REQUESTED BELOW.**



**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA**  
**CIVIL COVER SHEET**

**VIII(a). IDENTICAL CASES:** Has this action been previously filed in this court and dismissed, remanded or closed? ☒ No ☐ Yes  
 If yes, list case number(s): \_\_\_\_\_

**VIII(b). RELATED CASES:** Have any cases been previously filed in this court that are related to the present case? ☒ No ☐ Yes  
 If yes, list case number(s): \_\_\_\_\_

**Civil cases are deemed related if a previously filed case and the present case:**

- (Check all boxes that apply) ☐ A. Arise from the same or closely related transactions, happenings, or events; or  
☐ B. Call for determination of the same or substantially related or similar questions of law and fact; or  
☐ C. For other reasons would entail substantial duplication of labor if heard by different judges; or  
☐ D. Involve the same patent, trademark or copyright, and one of the factors identified above in a, b or c also is present.

**IX. VENUE:** (When completing the following information, use an additional sheet if necessary.)

- (a) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named plaintiff resides.  
☐ Check here if the government, its agencies or employees is a named plaintiff. If this box is checked, go to item (b).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
	Plaintiff Earl Richards - Georgia

- (b) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named defendant resides.  
☐ Check here if the government, its agencies or employees is a named defendant. If this box is checked, go to item (c).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Defendants Don M. Bailey, Michael H. Mulroy, Stephen L. Cartt, David Young, Virgil D. Thompson, Mitchell J. Blutt, Stephen C. Farrell & Questcor Pharmaceuticals, Inc. - Anaheim, CA	

- (c) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** claim arose.  
**Note: In land condemnation cases, use the location of the tract of land involved.**

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Los Angeles County	

\* Los Angeles, Orange, San Bernardino, Riverside, Ventura, Santa Barbara, or San Luis Obispo Counties

**Note: In land condemnation cases, use the location of the tract of land involved**

**X. SIGNATURE OF ATTORNEY (OR PRO PER):**  Date October 11, 2012

**Notice to Counsel/Parties:** The CV-71 (JS-44) Civil Cover Sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law. This form, approved by the Judicial Conference of the United States in September 1974, is required pursuant to Local Rule 3-1 is not filed but is used by the Clerk of the Court for the purpose of statistics, venue and initiating the civil docket sheet. (For more detailed instructions, see separate instructions sheet.)

**Key to Statistical codes relating to Social Security Cases:**

Nature of Suit Code	Abbreviation	Substantive Statement of Cause of Action
861	HIA	All claims for health insurance benefits (Medicare) under Title 18, Part A, of the Social Security Act, as amended. Also, include claims by hospitals, skilled nursing facilities, etc., for certification as providers of services under the program. (42 U.S.C. 1935FF(b))
862	BL	All claims for "Black Lung" benefits under Title 4, Part B, of the Federal Coal Mine Health and Safety Act of 1969. (30 U.S.C. 923)
863	DIWC	All claims filed by insured workers for disability insurance benefits under Title 2 of the Social Security Act, as amended; plus all claims filed for child's insurance benefits based on disability. (42 U.S.C. 405(g))
863	DIWW	All claims filed for widows or widowers insurance benefits based on disability under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405(g))
864	SSID	All claims for supplemental security income payments based upon disability filed under Title 16 of the Social Security Act, as amended.
865	RSI	All claims for retirement (old age) and survivors benefits under Title 2 of the Social Security Act, as amended. (42 U.S.C. (g))